



## FOREIGN-TRADE ZONE Nº 68

El Paso International Airport

# Annual Report To The U.S. Foreign-Trade Zones Board October 1, 2008-September 30, 2009



# Foreign-Trade Zone No. 68

*Dedicated to Outstanding Customer Service for a Better Community*

S E R V I C E   S O L U T I O N S   S U C C E S S

January 19, 2010



Andrew McGilvray  
Executive Secretary  
Foreign-Trade Zones Board  
U.S. Department of Commerce  
FCB - Suite 4100W  
1401 Constitution Ave., NW  
Washington, D.C. 20230

Dear Mr. McGilvray:

Submitted herewith, in accordance with the Foreign-Trade Zones Act and the regulations of the Foreign-Trade Zones Board, is an original and one copy of the annual report covering the operation of Foreign-Trade Zone No. 68, El Paso, Texas, for the fiscal year ended September 30, 2009.

If you have any questions regarding this report, please contact me at 915-771-6016, FAX 915-772-2491, e-mail: [Quinonezji@elpasotexas.gov](mailto:Quinonezji@elpasotexas.gov).

Respectfully submitted,

Jose Quiñonez, Jr.  
Foreign-Trade Zone Manager  
City of El Paso  
Grantee, Foreign-Trade Zone No. 68

Cc: Joyce Wilson, City Manager  
Jane Shang, Deputy City Manager of Mobility Services  
Monica Lombrana, Director of Aviation

**Mayor**  
John F. Cook

**City Council**

*District 1*  
Ann Morgan Lilly

*District 2*  
Susie Byrd

*District 3*  
Emma Acosta

*District 4*  
Carl L. Robinson

*District 5*  
Rachel Quintana

*District 6*  
Eddie Holguin Jr.

*District 7*  
Steve Ortega

*District 8*  
Beto O'Rourke

**City Manager**  
Joyce A. Wilson



**EL PASO INTERNATIONAL AIRPORT**

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## ANNUAL REPORT

FOREIGN-TRADE ZONE NO. 68  
El Paso, TX  
Oct. 1, 2008-Sept. 30, 2009

**PART I. SUMMARY OF ACTIVITY – ZONE PROJECT**

The City of El Paso's Foreign-Trade Zone (FTZ) No. 68 is operated through the Aviation Department also known as El Paso International Airport (EPIA). The International Trade Processing Center (ITPC) located at EPIA's Air Cargo Facility is home to the administrative office of FTZ No. 68. The ITPC is known as the only one stop shop for international trade along the US-Mexico border, bringing together the services of US Customs & Border Protection (CBP) and FTZ No. 68 under one roof, and also provides assistance and guidance to importers and exporters as well as the general public on importing to the US. The CBP staff provides clearance on all in bond shipments under airport jurisdiction, which includes transshipments from other ports via truck and air. CBP's services cover airfreight, in bond merchandise, air passenger clearance, Private Air, General Order, bonded warehouse, and Foreign-Trade Zones. The zone continued to see new business interest and activity. Merchandise coming to the zone arrived by air cargo, railroad, and by truck via El Paso's international bridges and from other US Customs ports.

**Measurable Progress**

The following table shows several of the important metrics used to measure the zone's success.

Quantitative and Qualitative Indicators	FY 2009
• Number of jobs retained as a direct result of the zone	758
• Dollar value of goods moving through the zone	\$19,154,568,520.84
• Dollar value of Exports from the zone	\$643,048,282.42
• Investment made by FTZ businesses this year	\$10.2 million
• Number of Customs violations	-0-
• Number of FTZ training seminars offered to trade community	4
• Number of audits completed	8

**Employment within the activated zone area**

During this past year, there were 20 companies that had an activated facility in El Paso's general-purpose zone. This activity generated **more than 750 jobs directly related to FTZ No. 68**

**operations, and another 1,400 jobs were indirectly related to zone operations.** These jobs encompassed business management, logistics, customs brokerage, assembly and kiting, warehouse operations, and administrative support functions.

### **FTZ Impact**

The FTZ has been a catalyst, attracting business investment to El Paso. This investment represents land/ building leases, payroll, equipment and furniture purchases. During this past fiscal year, FTZ companies invested over **\$10 million** in the El Paso community. This dollar amount does not reflect investments from prior years.

The zone's impact is measured widely in the FTZ industry *by dollar volume of goods* that enters the zone. In the Port of El Paso, in which the FTZ No. 68 is located, the zone's involvement helped stabilize international trade within the port during a difficult economic year. The zone contributed through logistical efficiencies and duty benefits provided to importers in the region that used the program. Based on FY 2009 US Census data, El Paso's ports of entry saw about \$25 billion of goods imported, of which the zone accounted for \$6 billion in goods forwarded to the US, or **25%** of all imports in the Port of El Paso. During the same time frame, exports from El Paso were at \$18 billion, of which the zone contributed \$644 million in direct exports.

There was a total of 1,250,150 square feet of activated space, whereas total occupied space was 2,338,936 square feet. Real estate companies and industrial developers see the FTZ as a natural marketing tool for industrial development, and maintain contact with FTZ program staff.

In terms of foreign investment, the zone's contribution can be seen in the adjacent table, illustrating the top trading countries in FTZ No. 68. China leads the list of major trade partners. A strong linkage between the zone and maquiladora operations in northern Mexico is formed through the admission of foreign parts and components that are stored and manipulated, and later transferred for export to Mexico for assembly. Finished goods are also admitted to the zone that do not qualify for NAFTA benefits and can take advantage of operational efficiencies that the FTZ offers. Multi-national companies used the zone to source goods from over 100 countries as part of their global supply chain, thus acting as a magnet to stimulate investment and increase international trade through El Paso.

Top Ten Trading Partners by Value of Merchandise Received	
1. China (Mainland)	\$492,363,158.42
2. Mexico	\$107,172,558.50
3. Japan	\$96,018,528.57
4. Korea	\$60,936,273.49
5. Taiwan	\$39,470,119.58
6. Hungary	\$11,961,498.90
7. Costa Rica	\$10,032,503.06
8. Honduras	\$7,219,157.66
9. Germany	\$5,080,452.62
10. Vietnam	\$5,062,802.14

### **Developments/trends in shipments/activity, and factors affecting growth**



As a result of the economic slow down in the US economy, the zone deactivated three FTZ facilities. On a positive note, however, monthly activity appeared to stay level with last year's volume and transactions. The zone saw about 60% of inbound shipments coming from Mexico via El Paso's international bridges, with the other 40% arriving by rail, truck and air cargo from various US ports of entry.

### **Improvements in zone services and facilities during the year or planned for the near future**

Zone staff provided information and referral assistance to local importers and exporters on international markets, contact information to CBP and other federal agencies, and port of entry data. During the fiscal year, E-214 transactions accounted for 63% of all admissions to the zone (source: CBP); however, due to delayed programmatic upgrades to the Automated Customs Environment (ACE), CBP has not automated the permit to transfer process for truck carriers crossing into the US from land border ports (e.g., Mexico); thereby, limiting the use of the E-214 in FTZ No. 68.

### **Promotion and Marketing Efforts**

The Grantee of FTZ No. 68 has forged alliances with several economic development stakeholders to increase awareness of the zone. The zone's staff participated in various promotional events and tradeshows. Participating events included the Mexico-U.S. Trade: A New Partnership conference sponsored by the Border Trade Alliance, EP Foreign Trade Association & UTEP on May 8-9, 2009 in El Paso; the NAFTA Institute conference in Sunland Park, New Mexico held June 11-12, 2009; and the Spirit of Texas conference sponsored by the El Paso Hispanic Chamber of Commerce, Sept. 9, 2009 in El Paso.

The FTZ Manager participated as a member of the Manufacturing Cabinet, created by the Mayor of El Paso as part the El Paso Economic Development Lyceum, to identify projects that enhance manufacturing opportunities in the El Paso region. In addition, EPIA has memberships with the Border Trade Alliance, the US-Mexico Border District Export Council, West Texas New Mexico Customs Brokers Association, Greater El Paso Chamber of Commerce, and representation on the board of directors of the National Association of Foreign-Trade Zones.

The zone organized several FTZ Operations training seminars during the year with more than 30 participants. This seminar has now become two seminars: 1. Benefits & Documentation, 2. Policies & Procedures; is attended by representatives of the customs broker community and is required of all new FTZ Users.

### **Summary of general-purpose zone activity**

The zone has continued to see a steady increase in volume activity and demand for FTZ training from the international trade community. In 2009, the total value of merchandise handled in the zone reached **\$19,154,568,520.84**. The total value of merchandise handled is the combination of the value of merchandise received **\$12,227,187,583.64** and the value of the merchandise forwarded **\$6,927,380,937.20**. Merchandise received in domestic status was valued at **\$10,966,559,027.17** while exports from the zone accounted for **\$643,048,282.42**.

Goods related to global supply chains in the El Paso/Juarez region (about 95%), made up a large part of the total volume of goods handled. A small portion of goods was for restricted merchandise and stored merchandise for duty deferral purposes that was non-maquiladora related. The zone's eight public FTZ warehouses served a majority of the business firms that used the zone. A listing of the public FTZ warehouses offering logistical services is available on the Grantee/Operator's website.

## **PART II. USE OF ZONE BY BUSINESS FIRMS (General-Purpose Zone)**

- A. The zone served 48 business firms during fiscal year 2008-2009. Of these, 18 used the zone on a continuous basis, employing up to 758 persons, 758 of whom were full-time employees.
- B. Companies utilizing the general-purpose zone conducted manipulation, destruction, warehousing, storage and one company that had manufacturing activity in the general-purpose zone. The zone saw 17 manipulation permits and eight destruction permits issued. Below is a summary of the manipulation activity:

<b>General-Purpose Zone Manipulation &amp; Manufacturing Authorized Activities</b>	
Automotive	Open cartons and confirm serial numbers; sort and inspect for quality control; verify quantity and quality; inspection of components; repack and label.
Consumer electronics	Electrical and visual inspection and quality control inspection; affix labels and repack. Exhibit finished goods, test, clean, package and re-package. Test and repair modules. Production of vacuum cleaners.
Electrical components	Open cartons to replace bar code labels; open skids and take out cartons and label. Inspect, analyze, test, calibrate, measure, sample, photograph, clean and repack. Re-pack damaged/crushed cartons.
General merchandise	Verify contents and serial numbers; open cartons to place bar code and labels.
Home appliance	Bar code labeling.

## **PART III. MOVEMENT OF MERCHANDISE (General-Purpose Zone)**

The zone handled 4,295 different items from 123 countries of origin, compared with 3,075 items from 153 countries during the preceding fiscal year.

### **A. Merchandise in the Zone at Beginning and End of Fiscal Year**

	<b>Beginning Value*</b>	<b>Ending Value</b>
Domestic Status	\$31,556,170.81	\$5,378,012,638.91
Foreign Status	\$139,825,845.78	\$93,176,024.12
<b>Total:</b>	<b>\$171,382,016.59</b>	<b>\$5,471,188,663.03</b>

#### B. Movement of Merchandise

Movement	Value
<b>Received:</b>	
Domestic Status	\$10,966,559,027.17
Foreign Status	\$1,260,628,556.47
From Other US FTZ's:	
Domestic Status	
Foreign Status	
<b>Total:</b>	\$12,227,187,583.64
<b>Forwarded:</b>	
To The U.S. Market	\$6,284,199,677.78
To Foreign Countries (Exports)	\$643,048,282.42
To Other U.S. FTZ's	\$132,977.00
<b>Total:</b>	\$6,927,380,937.20

Explanation of discrepancy: Beginning value is decreased by \$504,158.61 due to adjustment in value not made in prior year.

#### C. Value Added

There was no added value this fiscal year.

#### D. Main Categories of Foreign Status Merchandise Received (Top Five)

Category	Value	Main Countries of Origin
Consumer Electronics	\$1481,520,119.30	China, Korea, Mexico
Electronic Components	\$284,112,336.38	China, Korea, Japan
Automotive Components	\$246,872,829.33	Japan, China
Smoke Detectors	\$38,432,301.65	Mexico
Base Metals	\$1,275,284.89	China, Taiwan
Textiles	\$707,232.60	Korea

#### E. Foreign Status Merchandise Received:

Nonprivileged Foreign \$1,195,175,724.33  
Privileged Foreign \$11,678,975.37

F. Customs duties collected on merchandise entered from the zone during the fiscal year amounted to \$6,352,982.80.

### PART IV. PHYSICAL FACILITIES – AVAILABLE AND ACTIVATED

A. **Butterfield Trail** contains Butterfield Trail Industrial Park which is located adjacent to El Paso International Airport and its air cargo complex. The industrial park contains 1,065 acres and more than 60 buildings, and is the original site of the zone. The park offers all the amenities such as utilities, wide-paved streets, railroad spurs, attractive landscaping and code compliant



buildings, with convenient access to air cargo. In 2006, 475 acres were added at the air cargo complex containing two cargo buildings each with over 135,000 square feet, and Butterfield Trail Industrial Park II which is under development at this time. The **Lower Valley** designated parcels consists of eight industrial parks located close to the Ysleta port of entry. The industrial parks in the lower valley are also modern facilities similar to Butterfield Trail. Its proximity to the port of entry has brought about much industrial development. The **East Site** is made up of about 10 parcels that are in close proximity or contiguous to one another. This site now sees the highest volume of FTZ activity. This site is estimated to have over 55 buildings, and has experienced tremendous industrial development due to its easy access to I-10 and Loop 375. The **Central Site** contains Copperfield Industrial Park, which is a modern industrial park with a mix of office, commercial and industrial uses. The park is centrally located, in close proximity to the airport. The **Northeast Site** contains two parcels contiguous to one another. The area is being developed into housing and is located furthest from El Paso's land ports. Currently there is no FTZ activity in this site. It's expected that the Grantee will request removal of the site from the FTZ Board. Accordingly, FTZ No. 68 activity has concentrated in Sites 1, 2 and 3.

Site No.	Site Name	Size (in acres)	Facilities Available	Activation Status
Site 1	Butterfield Trail	1,065	Developed & planned industrial park, air cargo complex	6 activated facilities
Site 2	Lower Valley	797	Developed industrial areas	5 activated facilities
Site 3	East Region	1,356	Developed industrial areas	7 activated facilities
Site 4	Central Region	130	Developed industrial area	No activated facility
Site 5	Northeast Region	95	Developed industrial area	No activated facility
<b>Total</b>		<b>3,443</b>		

Please see the appendix for map of FTZ sites. Map is for illustration purposes only.

Below is a list of the activated public and private FTZ companies in El Paso's General-Purpose Zone as of the end of the fiscal year:

- BRK Brands, Inc.
- Electrolux Home Care Products, Inc.
- Foster Electric
- Futaba Corp. of America
- Sumitomo Electric (formerly Hartec, Inc.)
- Inabata America
- Kintetsu World Express, Inc.
- Morrison Express
- Pedraza Customhouse Brokers
- ProTrans International, Inc.
- Robert Bosch, LLC.
- Cisco (formerly Scientific Atlanta)
- Seton Co.
- Shure Inc.
- Span America Austin, Inc.
- TMX Logistics, Inc.
- Trans-Expedite, Inc.
- UPS Supply Chain Solutions

- B. Zone Schedule. In accordance with §400.42(b), a zone schedule is available for public inspection at the offices of the grantee/operator. The most recent revisions took effect June 16, 2009. The zone schedule is also available online at: [www.elpasotexas.gov/ftz/](http://www.elpasotexas.gov/ftz/)

#### **PART V. SUBZONE ACTIVITY**

There is no subzone activity in FTZ No. 68.

#### **PART VI. PHOTOGRAPHS**

Various photographs have been included throughout this annual report, providing a clear depiction of the zone's activity and the region.

#### **PART VII. ZONES AND SUBZONES AUTHORIZED BUT NOT YET IN OPERATION**

Activation of Honeywell Security and Controls is to be completed in November 2009. This User/Distribution Site Operator will operate a distribution facility for industrial and commercial security devices manufactured by an affiliated plant. Their facility will add about 194,000 square feet to the zone and employ over 100 personnel. Also, Nippon Express Inc. will activate as a third party logistics provider, a 20,000 square foot warehouse.

#### **APPENDIX**

